AR54

Vision

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Execution

BIOMIRA

The Cancer Vaccine People

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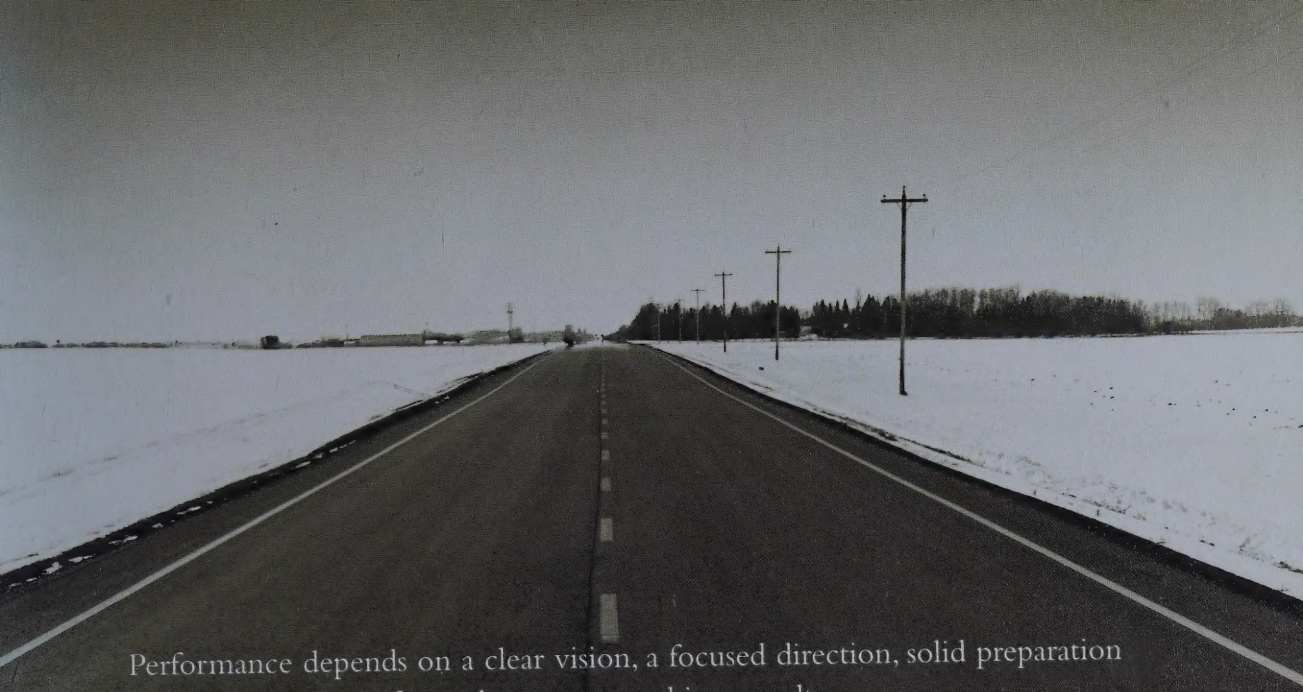
Biomira is a biotechnology company specializing in the development of innovative therapeutic approaches to cancer management. This commitment to the treatment of cancer focuses on the development of synthetic vaccines and novel strategies for immunotherapy of cancer. We are The Cancer Vaccine People.™

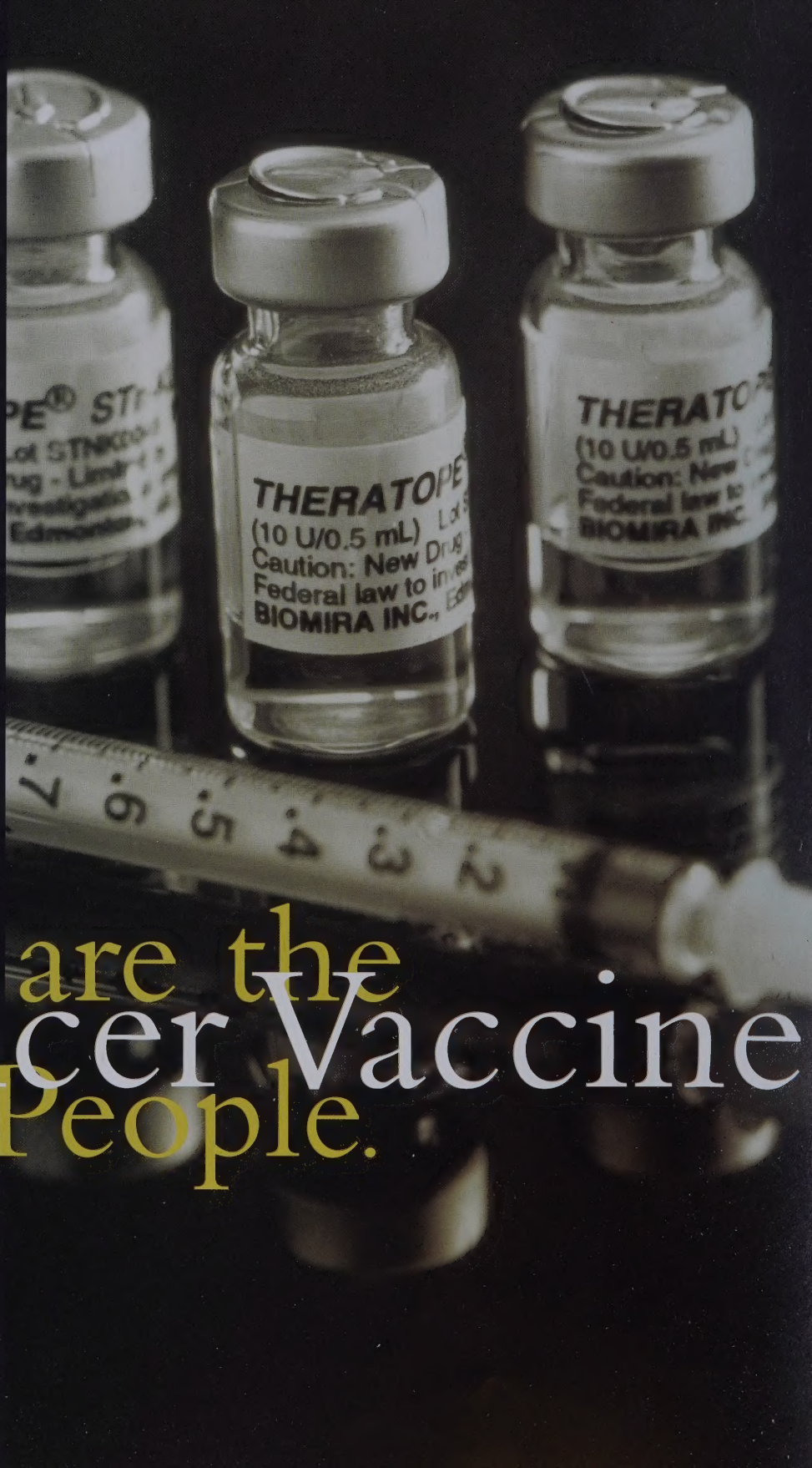
Based in Edmonton, Alberta, Biomira is one of the leading biotechnology companies in Canada. At year-end 1997, there were 44.3 million common shares outstanding. The company is listed on The Toronto and Montreal Stock Exchanges (BRA) in Canada and on Nasdaq (BIOMF) in the United States.



Performance depends on a clear vision, a focused direction, solid preparation and the execution of sound strategy to achieve results.

At Biomira, our approach is to strategically implement the business decisions and disciplines required to reduce the underlying risk associated with our industry in order to provide significant, long-term rewards for our shareholders.

Subsequent sections of this annual report address our approach to executing sound strategy – one based on a clearly defined focus of our technology strengths and competitive advantages – implemented by adherence to sound business disciplines.



We are the Cancer Vaccine People.

Our lead product candidate, THERATOPE® vaccine, is entering a Phase III Clinical Trial for breast cancer in 1998 with an enhanced formulation of the product. Data from Phase II trials showed a median survival of 19 months for patients treated with standard THERATOPE® vaccine compared to 9.2 months for patients from a retrospective control group. Pre-clinical studies of the new formulation clearly indicate improved immunogenicity from that achieved by the initial formulation in Phase II Clinical Trials. The decision to embark on this Phase III Clinical Trial with a new formulation of THERATOPE® vaccine will require a bridging study in a small group of 23 patients to confirm the safety and immunogenicity of the product. The randomized Phase III trial will start later in 1998. Biomira and Chiron Corp., its partner in the THERATOPE® vaccine program for metastatic breast cancer, agree that this is an appropriate long-term business decision based on the increased immunogenicity of the new formulation. The Phase III Clinical Trial starting in 1998 will involve 900 evaluable patients, 450 in a control vaccine arm and 450 in the THERATOPE® vaccine arm. All clinical trial patients will have had first-line chemotherapy with a complete response (CR), partial response (PR) or stable disease (SD); analyses will be done by stratification of the three groups. The primary endpoints will be time-to-disease progression and survival. Secondary endpoints will be quality of life, safety and immunogenicity. It is expected that enrollment will take 12 to 18 months and will involve approximately 60 clinical trial sites in North America and Europe.

The Year Ahead We entered 1998 with a determined commitment to review all aspects of our operations and ensure Biomira is in the strongest position possible to advance its cancer vaccine and therapy programs, primarily THERATOPE® vaccine, BLP25 liposomal vaccine and Liposomal IL-2. That position is one of no distractions – of time or resources. To that end, we have moved to divest Biomira of our diagnostic and immunoconjugate programs. We are in negotiations concerning the sale of BDI and, as of April 1, 1998, have a non-binding Letter of Intent with Centocor Diagnostics, Inc. of Malvern, PA. Under terms of our agreement, Biomira has agreed to sell our TRUQUANT® blood test kits for detecting breast, ovarian and gastrointestinal cancers. The sale includes various antibodies and antigens for *in vitro* diagnostic purposes, plus the equipment used in product development. The diagnostic kits are currently manufactured by BDI in Toronto. Subject to Centocor's final due diligence and the signing of definitive agreements, closing is anticipated by the end of April, following which transfer of technology will take place over the next four months. Operations at BDI will cease on or before August 28, 1998, with staged layoffs for BDI's 49 employees to take place over this transition period. The sale of BDI will result in Biomira's complete exit from the business of diagnostic kit production and distribution.

We are also positioning our immunoconjugate program for divestiture and are in discussions with several interested parties concerning this technology. While active efforts are under way concerning our Tru-Scint® immunoimaging agent and related immunoconjugate technology, Biomira management will thoroughly review and consider the options available to us to ensure maximum value is obtained. Biomira's strong cash position is such that we can source and negotiate the most effective route for exiting from these activities – be it a complete sale or a partnering of the technology whereby Biomira is not required to undertake trial management, or clinical or regulatory activities to advance its progress. Our motivation is to ensure that all remaining activities under way at Biomira are focused on our therapeutic program. Current activities related to managing the immunoconjugate area are minimal; we have realigned the human and financial resources previously allocated to this area to our therapeutic program.

Biomira's reputation and expertise in testing and imaging technology will continue to serve the company as our intellectual assets in these areas continue to be licensed and earn income. Biomira has license agreements with several organizations and will be pursuing agreements for other proprietary technology we have developed, but which does not currently have a strategic fit for advancement within our therapeutic program.

Focusing on Our Core Competencies In identifying and implementing the decisions to ensure all activities and operations within Biomira are focused on our cancer vaccines and therapies, we have been mindful of evaluating all in the context of our core competencies in this program area. The principal challenge for all biotech companies – regardless of their stage of development or size – is focus: recognizing and building on a company's core competency, its core technology.

At Biomira, our core competency is synthetic therapeutic cancer vaccines for the treatment of cancer. Our core focus, the base infrastructure from which we are making all our strategic and business decisions, is our expertise in cancer vaccines. And now, as stated at the outset, Biomira is regarded internationally as a leader in this field. Achieving that recognition has been a challenge. The concept of synthetic therapeutic cancer vaccines was recognized initially by very few with the imagination to understand the concept – even fewer with the courage to bankroll its development. And Biomira is now in the home stretch with our lead product candidate, THERATOPE® vaccine.

We are determined to lead the race to the finish line, hence our decision to divest our diagnostic and imaging programs. We do not believe we can develop the *in vitro* or *in vivo* diagnostic areas in a time frame sufficient to allow the company to achieve profitability. A significant cash drain on our resources would be required to continue development of these products which, we believe, is not justified on the basis of return on investment. The sale of *in vitro* and *in vivo* technology, the consolidation of activities to our therapy program, licensing and partnering of non-core technology, as well as the out-sourcing of certain activities and internal reorganization of others will enhance Biomira's cash position.

Biomira's vaccine technology extends into synthetic peptide-based vaccines as well. The company has a strong program that has identified several potential candidate vaccines against the tumour-associated antigen MUC-1. Biomira recently presented pre-clinical data on BLP25, the preferred vaccine formulation, to an international conference on vaccine technologies. The data provides strong support for moving BLP25 toward commercialization. In pre-clinical testing, BLP25 prevented the appearance of lung metastases when given in advance of the cancer cell line expressing human MUC-1. Untreated specimens developed an average of 39 metastases. In another series of experiments where BLP25 was given after the cancer had established small, microscopic cancer nodules, cancer cells were almost completely eradicated following BLP25 treatment. The therapeutic effect of this MUC-1 vaccine candidate was superior to BP16 (BP1-7), the company's peptide vaccine previously tested in Phase I clinical trials. This therapeutic effect appears to be related to a MUC-1 T-cell immune response induced by the BLP25 vaccine. On the strength of the superior therapeutic effect of BLP25, Biomira expects to move this product candidate into clinical trials in the second half of 1998 in non-small cell lung cancer. It is estimated that there are more than 150,000 new non-small cell lung cases in North America each year. Biomira's intellectual property for its MUC-1 program is protected by patent licenses from the Dana-Farber Cancer Institute of Boston and by the Imperial Cancer Research Fund in England.

Message to Shareholders

Alex McPherson, MD, PhD
President & Chief Executive Officer

In our last year's annual report, we predicted that 1997 would be Biomira's defining year. And that has been the case. Your company has undertaken a disciplined self-examination of its operations, product candidates and resources required to achieve profitability in the shortest time possible and provide a return on investment for shareholders.

Biomira is best defined in our new corporate identifying statement: We are The Cancer Vaccine People.™ While we have enjoyed market success and international recognition for our proprietary knowledge in testing and imaging, the underlying strength of Biomira technology is its therapeutic potential for the treatment of cancer. We lead the industry in this technology. Our vision has always been to be the leader in bringing therapeutic cancer vaccines and therapies to market. We have emerged from 1997 with a renewed commitment to this vision and have embarked on a focused and strategic plan to ensure our entire organization is mobilized to achieving this result.

Applying a disciplined review and accepting and making the difficult decisions that result reflects, we believe, on Biomira's Board of Directors and management's ability to effectively manage the risk-management nature of the biotech industry. Biotech is a business of managing risk – the time- and capital-intensive nature of our industry is such that it is not enough to do the right things. We must do the right things right. And that is what Biomira is doing. This annual report is dedicated to outlining the strategic and operational decisions we have made to ensure our vision becomes reality. This message will provide a corporate overview; I encourage you to review the information contained in subsequent sections to understand how the evolution of the company's activities and operations has positioned us to succeed as The Cancer Vaccine Company for the 21st Century.

Biomira has an extensive portfolio of therapeutic candidates, including THERATOPE® vaccine, our most advanced vaccine in development. THERATOPE® vaccine is a carbohydrate-based formulation incorporating a synthetic form of STn, a naturally occurring cancer-associated antigen that is found on many cancers of the breast, colon and ovary. The synthetic antigen, combined with a carrier molecule and immune stimulant, works by stimulating a T-cell response to STn and a specific B-cell antibody response to both the synthetic STn antigen and to the molecules found on the surface of cancer cells. To date, THERATOPE® vaccine has been tested on more than 300 patients with breast, ovarian, colorectal or pancreatic cancer. In addition to the vaccine's apparent ability to prolong survival of cancer patients, its lack of severe side effects is a major benefit and suggests that patients being treated with THERATOPE® vaccine can enjoy an improved quality of life throughout their therapy program. This is in marked contrast to the typical toxic experiences with conventional treatments.

The Year in Review To place the past year in perspective, we ended 1997 having made significant progress in our therapeutic program, with a rich pipeline of product candidates to continue developing and advance into clinical trials. We entered into a collaboration with Chiron Corp. of California to take our lead product, THERATOPE® vaccine, into a Phase III Clinical Trial in metastatic breast cancer – a collaboration that sees the sharing of all trial expenses between our two organizations and that will result in multi-million-dollar milestone payments and revenue sharing being earned by Biomira upon commercialization of the product.

Also during the year, we received additional regulatory approval for our diagnostic product, TRUQUANT® BR™ RIA, for its use as a monitoring agent in addition to its previously approved use as a diagnostic tool in determining recurrence of breast cancer. Our wholly owned subsidiary, BDI, which manufactures and distributes the TRUQUANT® test kits, recorded record revenues of CDN $6.3 million from its operations. Biomira secured additional licensing agreements; Tosoh Corp. exercised its option to license Biomira's B27.29 monoclonal antibody. Biomira receives an up-front license fee, a milestone payment once an automated version of the assay is developed and approved in either Japan or the U.S., as well as royalties on net sales. All three of Biomira's automated instrument licensees have now licensed both of our lead antigen targets, CA125 and CA27.29. Biomira science is being employed worldwide. And we continued to protect our intellectual assets by securing patent protection for our STEP and MUC-1 programs.

Biomira's expertise was further recognized throughout the year as several manuscripts were accepted for publication, including one in Nature Medicine, one of the most prestigious medical journals in the field of immunology. The peer-reviewed article, *'Cancer-associated MUC-1 mucin inhibits human T-cell proliferation, which is reversible by IL-2 (Interleukin 2),'* presents compelling data about new approaches to cancer therapy being developed by Biomira and validates the work done to date in developing the company's BLP25/Liposomal IL-2 therapy candidate. Manuscripts submitted to Nature Medicine undergo extensive scrutiny and peer review before they are considered for publication and must present never-before published data.

Biomira USA continued its research and development progress in liposomal and other novel therapeutic technologies. And we saw one example of the validation of therapeutic cancer vaccines as a cancer management approach with great promise for the future with the commitment by the Canadian government's Technology Partnerships Canada (TPC) of CDN $60 million to ensure cancer vaccine approaches continue to be developed and commercialized in Canada. Biomira is one of the companies in deliberations with TPC to obtain additional funding for advancing our MUC-1 and Liposomal IL-2 programs. The year ended with the disappointing news, however, of insufficient data to support, on a statistical basis, our New Drug Submission for Tru-Scint® AD and withdrawal, without prejudice, by the Canadian Health Protection Branch (HPB) of Tru-Scint® AD for breast and ovarian cancer.

Preserving and Maximizing Resources We are mindful of our burn rate. Although the company has exercised prudent financial management in the past, we recognize the significant costs associated over the next few years with our Phase III Clinical Trial for THERATOPE® vaccine in breast cancer. We are also looking at other cancer indications for which THERATOPE® vaccine may be an effective treatment and will be developing the corresponding clinical strategies, which will further strain our available financial resources. The plan on which we have embarked will enable us to preserve and maximize those resources.

A further element of this plan recognizes that Biomira has been heavily involved in a variety of difficult technologies, such as synthetic chemistry, monoclonal development, reagent development, and liposomal formulation and encapsulation. Reviewing our strengths and priorities has led us to further reduce the risk inherent to our business by identifying those activities best out-sourced to the greatest extent possible, recognizing cost/benefit and risk/reward perspectives. Biomira's goal is not, at this time, to build the infrastructure required to support a fully integrated biotech company.

Biomira's research base and scientific strength are headquartered in the company's 58,000 square foot state-of-the-art facility in Edmonton, Alberta, Canada.

Among Biomira's core competencies around which we are consolidating our operations are our expertise associated with quality assurance and quality control and our proprietary positions, or trade secrets, in technical operations. Those strengths outside of these unique aspects are better deployed in monitoring and managing, for example, the manufacture of our therapeutic products done elsewhere. We believe the strategically wise course is to out-source as many activities as is prudent until such time as we have a commercially successful therapeutic product approved and on the market.

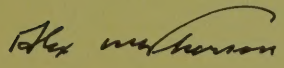
A Plan to Achieve Our Goals The underlying goal and intent of this reorganization is to minimize the risk of failure in moving products to commercialization. Your management believes that effective risk management means identifying areas of vulnerability. We are implementing the steps necessary to reduce and/or eliminate these areas of vulnerability. We have been in the driver's seat in identifying and making what we believe are necessary changes prior to the manufacture of THERATOPE® vaccine for clinical trials and ultimate commercialization. Our proactive approach to applying risk-management disciplines at this stage of Biomira's evolution will further strengthen our game plan and timeline to commercialization.

To achieve our goals, we have strengthened the management team with the recent addition of Mark D. Young, PhD as Executive Consultant, Technical Operations, on a transitional basis. Mark's 18 years of experience in process development and biopharmaceutical manufacturing will ensure that our efforts in securing outside manufacturing services support our business plan for THERATOPE® vaccine and other products in our therapeutic program. Mark obtained his PhD in Chemical Engineering and has held senior technical operations positions for other biotechnology organizations in the United States.

Biomira is guided by a Board of Directors whose dedication to our business efforts and activities has been invaluable. I thank them for their continued support and counsel. Since 1996, we have benefited from the efforts of Paul Wacko as a member of our Board of Directors. Mr. Wacko passed away April 1, 1998. His contributions to Biomira during his tenure are immeasurable. He is missed.

Biomira employees have displayed exemplary dedication and commitment to the company throughout our process of consolidating activities. They recognize and accept that some of their roles may change in the organization; some will be reassigned to maintain their expertise, some will move to other areas of the company or see their areas of activities in a different reporting relationship than has existed in the past. We expect that, over time, we will need to recruit others with specific talents that do not currently exist within Biomira. We are committed to our people and are committed to providing them with the resources and incentive to remain with our organization.

We have an organization in which our people are looking for success. Our culture is one of integrity and intellectual honesty. We do not aspire to mediocrity.



Alex McPherson, MD, PhD
President & Chief Executive Officer

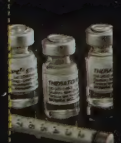
Liposomal IL-2 is a novel delivery system for administering Interleukin-2 by incorporating it in liposomes, or fat droplets. These delivery vehicles encapsulate a specific compound and improve drug delivery. Interleukin-2 is a cytokine, a growth factor that influences cell development and enhances the immune response. Biomira has additional pre-clinical data suggesting that the liposomal formulation increases the efficacy and reduces toxicity of administered IL-2. These findings suggest that Liposomal IL-2 should enhance the efficacy of the BLP25 vaccine. The Liposomal IL-2 formulation also has the potential for use as a potent immunomodulator to enhance the efficacy of other therapeutic vaccines as well. Further, Liposomal IL-2 has potential use as a treatment for infectious disease conditions, such as AIDS. The clinical development plan for Biomira's BLP25 vaccine includes trials to determine whether peptide vaccines are enhanced by the use of Liposomal IL-2, injected in a low dose. Initial clinical studies of BLP25 with Liposomal IL-2 are being considered for 1999.

Vision

Developing and commercializing innovative products for the effective therapy of cancer. Our vision is clear and purposeful. We are positioning our entire business and operating structure to reach that goal.

Biomira's vision for the effective vaccine treatment of patients suffering from cancer is now recognized worldwide as a new paradigm in cancer management. Therapy is the area of cancer management with the potential to benefit a substantial patient population and for providing the greatest return on investment.

There is also a global paradigm shift in healthcare – toward health promotion and wellness and that recognizes quality of life for patients. Biotech products that provide earlier disease detection and treatment are well positioned to take advantage of this trend. If we can bring products to market that prolong lives, minimize suffering, and enable the patient to fight disease with dignity and some semblance of normality in their lives – these products will sell. This is the promise of biotechnology. This is the promise of Biomira's vaccines and therapies in the treatment of cancer.



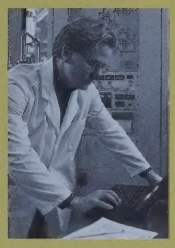
Biomira's three lead therapy products

THERATOPE® vaccine
(metastatic breast cancer)

BLP25
(non-small cell lung cancer)

BLP25/Liposomal IL-2
(non-small cell lung cancer)

Our vision is clear



Our vision is to improve the survival of cancer patients and to provide them with an improved quality of life as a result of a low toxicity treatment approach. We measure success by disease stability and survival, not by whether treatment has eradicated or killed the cancer. Response to traditional cancer therapy, based on eliminating cancer cells, has often not translated into improved survival. At Biomira, we believe we will be at the forefront of changing how people look at cancer because we will have learned how to manage cancer much the same way as we deal with many other chronic diseases. Cancer patients will be leading longer, more productive lives – living with cancer, not dying from it. We believe that's the way that cancer can really be beaten.

Biomira's goal of bringing novel cancer therapeutic products to the market drives our business plan. We have an extensive portfolio of therapeutic candidates in development and at various stages of clinical testing and trial. Recognized worldwide as a leader in cancer immunotherapy research and developer of therapeutic cancer vaccines, Biomira's reputation has also extended to its expertise in testing and imaging technology.

While our intellectual assets in these areas will continue to serve the company through licensing and royalty arrangements, Biomira has always believed that its ultimate success will be the result of its cancer vaccine program. That program is now approaching the final hurdle in new product development as THERATOPE® vaccine enters a Phase III Clinical Trial for breast cancer in 1998.

Biomira's vision to lead the market in innovative cancer therapies is supported by a depth of potential candidates in its product pipeline. With research facilities in Edmonton, Alberta, and Cranbury, New Jersey, Biomira's product pipeline includes both carbohydrate and peptide antigen-based vaccine technology.

The development of any new drug is a time- and capital-intensive process. In the past, Biomira has balanced its efforts in developing new cancer therapies by leveraging its scientific and research strengths to producing complementary, shorter-term technology in cancer testing and imaging. Biomira's first cancer vaccine product is now, however, on the threshold of entering the last phase of new drug development and the vision that has guided the efforts of all associated with Biomira is coming into view.

Biomira believes its goal of bringing therapeutic cancer vaccines to market cannot be compromised at this stage by the distractions associated with managing other business efforts or continuing to develop and promote cancer-related diagnostic products. To that end, the company continues to practise the business disciplines and exercise the risk-management judgments that have been its hallmarks.

We are The Cancer Vaccine People.™ Our research efforts and operating activities are being dedicated to support our continued evolution as the cancer vaccine company and to position Biomira as the leader in its field and in the market. We recognize the necessary changes that must now be implemented to achieve that vision and are repositioning those aspects of our business that have served the company in establishing its cancer management expertise but which now must be viewed in the context of not distracting from our ultimate corporate goal.

and liposomal formulations with applications in cancer and infectious and auto-immune conditions, including AIDS. The company's work in the area of idiotypic cancer vaccines and adoptive cellular therapy are also promising and will be advanced in conjunction with alliances or partnerships.

Our vision at this stage of Biomira's evolution is to lead the world in developing and commercializing immune cancer therapies. Not, however, as a fully integrated biotechnology company with full in-house capabilities for commercial manufacturing. To that end, we will continue to pursue strategic alliances. Collaboration means efficiency. The costs associated with building the operating structure required to develop, manufacture and distribute commercial products are significant. We believe it would be ill-considered to plan a growth strategy that does not involve alliances with the international biotech and pharmaceutical community. Those who wish to remain firmly attached to their research through to commercialization and product sales face the daunting challenge of what that involves and costs. Very few Canadian firms are in the position of accomplishing that single-handedly.

As part of our ongoing and critical analysis of internal resources and abilities, we recognize that the distraction of establishing full manufacturing facilities neither serves our ultimate vision nor is in the best interests of shareholders who have invested in us to realize that vision and achieve significant financial rewards. Accordingly, we are realigning certain areas of our corporate structure to most effectively address our needs and continue our progress. Our proven expertise in process development, scale-up of product to support clinical trial activities, and quality assurance and control comprise the necessary elements of infrastructure we must maintain in moving our therapy program forward.

Focus

We know that to remain a leader in this competitive arena it takes dedication, great people, exemplary science, and focus.

Biomira maximizes investor value with our practice of moving up the value curve before seeking partnering opportunities. Our disciplined focus ensures that we wait until the appropriate time in each product's development cycle before aggressively pursuing collaborations in order to ensure that our decisions add to shareholder value without an overly diluting effect.

We focus on maximizing our internal resources and capabilities while seeking strategic collaborations to complement and enhance our expertise. We're focused on the continued analysis of our product pipeline to ensure efforts are concentrated on the continued development of those therapeutic candidates with significant potential. All activities reflect the business disciplines we apply to bringing our cancer therapies to market.

MUC-1 Mucin induces Immunosuppression

Cancer associated MUC-1 mucin

Human T-cells

MUC-1 binds to T-cells: immune response is suppressed

A focused direction

Our focus is dedicated to advancing the clinical progress and market potential of the three primary products in Biomira's therapeutic program: THERATOPE® vaccine, BLP25 liposomal vaccine and Liposomal IL-2. Each is at various stages of clinical development and testing and has undergone thorough analysis and review to position them as the leading candidates to be aggressively advanced by Biomira through the development cycle to commercialization. Biomira enhances its ability to advance product candidates as expediently as possible through this process by pursuing strategic alliances with other large biotech organizations. Clinical trial and marketing collaborations, such as exists with Chiron Corp. for THERATOPE® vaccine, reflect Biomira's focus on maximizing the potential of its technology at the appropriate value stage of its development while minimizing the down-side risk inherent to the industry as measured by length of time to market.

Our 1997 accomplishment of securing a collaboration agreement with Chiron Corp. is evidence of our approach to seeking international clinical development and distribution expertise. We will continue that approach for other products within our therapeutic program but will not pursue an alliance until product candidates are well through the development stages and into Phase II clinical trials that are under our direction and control.

As a result of prudent financial management, Biomira enjoys a strong cash position from which we are able to implement this focused approach to establishing partnerships. Protecting investor value throughout the lengthy development timeline that is a function of our industry has, for the past several years, spurred Biomira management to proactively raise the funds necessary to move our products as far along the value curve as possible before forging alliances with other well-established organizations. This has enabled us to negotiate from a position of strength to ensure we continue to offer the maximum potential return to our shareholders.

It is accepted theory that the market potential for therapeutic products equates to high return. It is also accepted theory, however, that high return is rewarded only at high risk. Biomira is focused on minimizing the risk profile inherent to developing new therapeutic products. We undertake thorough analyses of emerging product candidates in our product pipeline to determine the appropriate allocation of time and financial resources to further their development. We manage our internal resources while seeking strategic alliances and collaborations to complement and enhance our expertise and ensure success of product commercialization.

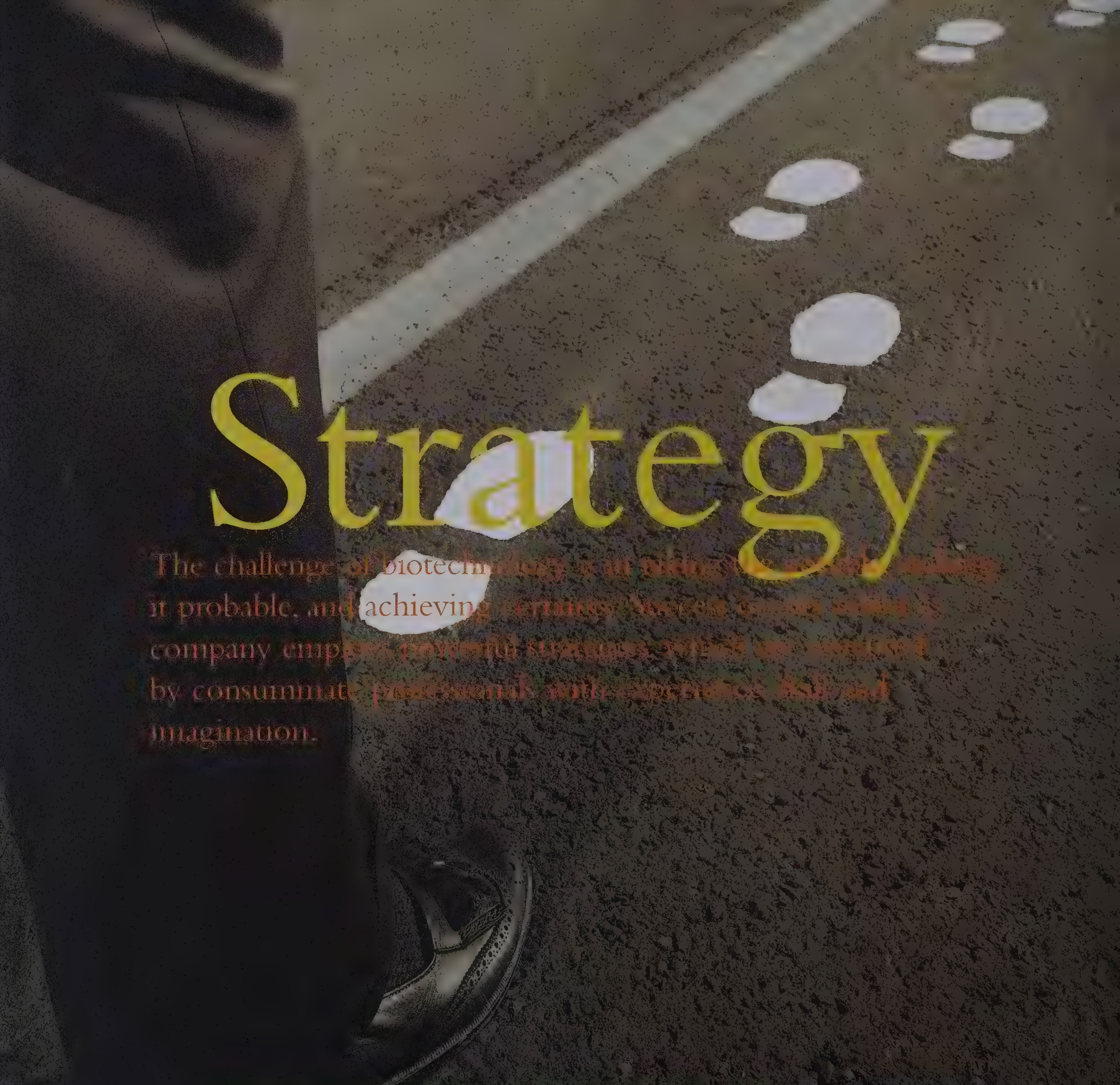
Identifying those product candidates that we believe have ultimate significant value and which should be advanced through the pre-clinical and clinical development process are subject to a focused and thorough portfolio analysis process in determining their market and clinical potential. We apply a disciplined approach to evaluating new technology in our product research pipeline. Specific criteria set out the basic elements by which all new technology is measured and evaluated. Risk factors and critical issues are identified, such as time to development and ultimate market. We develop a plan for each product, setting out the timelines by which ongoing reviews will occur to measure progress and the product's increased or decreased ranking in our over-all portfolio management plan.

Our portfolio analysis encompasses:

- Product profile and description
- Target populations and clinical need
- Market size and the competitive environment
- Proprietary issues
- Corporate fit
- Key milestones
- Financial justification

Within the financial models we prepare for each product candidate, complete analyses are prepared to determine potential market, market penetration and sales projections. In all cases, we assume that marketing collaborations will exist for all Biomira products and, on that basis, develop estimations of royalty revenues to Biomira and estimations of partner licensing fees and milestone payments. We complete a thorough cost analysis, calculating direct and indirect manufacturing costs, royalty payments and indirect product costs. In those cases, our analysis assumes that Biomira will use contract facilities for commercial-scale manufacturing. The financial return of the product candidate being considered, including annual gross profit margins, net present value calculations and Biomira's internal rate of return also factor into the rigorous and ongoing portfolio review that we conduct.

Biomira forms alliances in order to leverage our products and technology with experienced trial management and proven, established marketing abilities and infrastructure, such as exists in our collaboration with Chiron. As part of our agreement, Chiron has the marketing and distribution rights for Biomira's THERATOPE® vaccine in the United States and Europe with Biomira retaining the rights to market and distribute the product in Canada. The agreement between Chiron and Biomira is based on revenue sharing between marketing and manufacturing collaborators that is common to the industry. Biomira retains primary responsibility for manufacturing the vaccine and will be pursuing an appropriate industry alliance to work with the company in managing these activities for the launch of THERATOPE® vaccine in Canada.

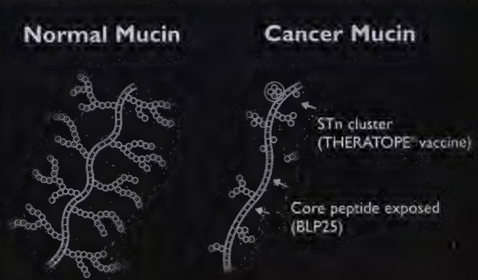


Strategy

The challenge of biotech[illegible] it probable, and achieving [illegible] company emp[illegible] by consummat[illegible] imagination.

Progress begins one step at [illegible] ordinary things extraordinarily well. [illegible] by little [illegible]

The strategic and operational plans that drive a company are a reflection of the management team, as is their ability to react, respond and anticipate to ensure that strategy does not miss its mark. Perhaps in no other industry is management so critical to the ultimate success or failure of a company than in the biotechnology industry. Superb management is measured by industry knowledge, entrepreneurial intuition, and technical management skills. And fortitude in managing the delicate balance of the ultimate risk/reward scenario.



Strategic management

Biotechnology companies are valued, in large part, by their ability to design and manage the clinical trial process. And the success and failure of many in the industry has been a direct result of their efforts in this area – it is the direct result of a company's ability to strategically design the most effective trial possible and to manage the risk inherent to this aspect of new drug development. Biomira has gained invaluable expertise in past years through the development of clinical trial procedures for our testing and imaging products and, assisted by open and co-operative relationships with regulatory agencies in North American and overseas jurisdictions, has a clear understanding of the rigors necessary in implementing successful clinical trial strategies.

We have learned from others in our field and are mindful of the trial pitfalls that can occur when a strategic and well-planned approach does not exist. Clinical trials fail for a number of reasons, including:

- Ineffective product
- Inappropriate study population
- Difficulty in prospectively defining relevant questions to be answered by the trial
- Poor selection, definition or interpretation of surrogate end points
- Difficulty in risk assessment
- Inappropriate dosage selection
- Sub-optimal data collection methods
- Difficulties with patient recruitment, enrollment and drop-out
- Increasingly burdensome limitations of time and financial resources for planning

Biomira and Chiron have identified and addressed possible risk factors in the clinical trial design for THERATOPE® vaccine in breast cancer. We have taken all considerations into account and are committed to introducing and completing this trial in the shortest time possible, recognizing the risk/reward reality that exists if the trial is not designed and undertaken properly.

Reasons for clinical trial failure that are exerted on a company from external sources – the increasingly burdensome limitations of time and financial resources for planning, for example – have been effectively addressed by Biomira in ensuring we have a strong cash position from which to proceed with a Phase III Clinical Trial for THERATOPE® vaccine in breast cancer. Our collaboration with Chiron will further offset the significant expense associated with this trial, upwards of $40 million, as our two companies share equally in the costs involved.

Corporate strategic management, however, involves other critical success factors beyond effective clinical trial strategies. At Biomira, our entire approach to directing the continued development of our therapeutics program is based on sound management of all aspects of operations. For example, we employ a project management team approach to guide and monitor the progress of our products from development to commercialization. Project budgeting to track product development provides the timely and systematic evaluations we utilize to monitor and, where necessary, respond to the cost issues of product management.

Patent protection and ensuring the security of our intellectual assets are critical elements of the strategic discipline we apply to ensuring that our competitive position in the therapeutic market is unassailable and uncompromised. We further maintain and enhance that strong competitive position by licensing certain components of our technology to other biotech and pharmaceutical organizations. These licensing agreements place the commercialization of Biomira technology in a strong strategic position worldwide, an approach that enables us to maximize intellectual assets that are not likely to be advanced in a product candidate being developed by Biomira.

Our over-all strategy is defined by clear, top-level objectives that are understood throughout our organization and which are translated into the priorities for all team and individual activities. We ensure the ability of our strategic priorities to be accomplished by aligning, and realigning if necessary, the internal financial and human resources necessary to achieve those priorities. Such is the case currently, as Biomira has identified the internal resources required to apply a singular focus on advancing its therapeutic program. The realignment of skills and abilities previously associated with testing and imaging products are being mobilized within the project management teams for THERATOPE® vaccine, BLP25 Liposomal vaccine and Liposomal IL-2.

Our collaboration with Chiron has provided Biomira with the added advantage of working closely with a well-experienced organization in the area of clinical trial design and management. We have taken a careful and conservative approach to the Phase III Clinical Trial for THERATOPE® vaccine to ensure it provides overwhelming data to support our drug application and lead, at that time, to approval in the shortest possible time after regulatory filing.

Execution

High technology investments such as biotech are the ultimate test of the risk/reward equation. Success in reaching the ultimate destination of product commercialization occurs when science decisions go hand-in-hand with the right business decisions.

predicated on our strategic approach to and commercializing have the potential for significant return and upon the infrastructure has of sound business strong science.

To be successful, we at Biomira must do as well on the business front as we do in the lab. We must have vision and focus. And it is not enough to have vision and focus. How we harness those to the everyday realities of building a successful business distinguishes them from being esoteric feel-good words to serving as benchmarks for measuring our progress. And you can't manage what you can't measure.

MUC-1 Mucin Expressed on Cancer Cells

Sound execution

Biomira monitors and measures all aspects of its operation on a regular and ongoing basis in order to update ongoing financial and management requirements and to ensure that its tactical business decisions are being deployed effectively with the results intended. This discipline to measure our ongoing progress is based on identifying all risk factors and critical issues, as well as the strategies and tactical measures to be implemented.

One measurement of our progress is use and preservation of our financial resources. Biomira recognizes that it must hold its burn rate to a level that will enable the company to achieve profitability with the commercialization of its lead product candidate, THERATOPE® vaccine. We have developed an operational plan to guide Biomira to profitability. Our project budgeting and scheduled deployment of funds over the next few years have been based on using current and anticipated cash to fund the projects that are highest ranked according to our product portfolio analysis.

Biomira's continued adherence to budget controls and strong fiscal management will serve this strategy, as will our abilities to increase revenues through out-licensing of certain technology and the divestiture of our immunoconjugate program and of BDI, our wholly owned subsidiary for the manufacture and distribution of TRUQUANT® BR™ kits. We are as well examining the possible divestiture of certain technologies that do not have a fit within Biomira's primary therapeutic and vaccine program. Biomira's science is renowned internationally and we have a rich product pipeline. Technology at earlier stages of development and ranked in the lower quartile of our portfolio analysis model are attractive acquisitions for other biotech firms exploring their own therapeutic approaches to managing disease.

Addressing this issue of burn rate is ongoing and ever present for Biomira management. Our decision to out-source certain activities that are outside Biomira's core competencies will further contribute to maintaining the level of financial expenditures required to advance Biomira's therapeutic program and reach commercialization. With this in mind, we have developed a lean budget for 1998 despite a significant increase in the level of clinical activities planned for 1998.

Costs will continue to escalate over the next few years as a result of the clinical and regulatory activities associated with advancing THERATOPE® vaccine in the Phase III Clinical Trial for breast cancer and of advancing both BLP25 and Liposomal IL-2 in Phase 1 trials. A complete market research and business development package is also being developed for the potential use of Liposomal IL-2 for infectious disease conditions, including AIDS. Other therapeutic products in our portfolio, such as our adoptive cellular therapy and idiotypic cancer vaccine formulation for B-cell malignancies, will only be advanced through collaborative partnerships or license agreements, a number of which are currently being explored.

Revenues will continue to be earned from agreements between Biomira and firms who wish to license our antibodies and other proprietary technology. Biomira will continue in 1998 to pursue license agreements and increase the revenue potential that exists from out-sourcing our technology.

Biomira's strong cash position is also being preserved through the out-sourcing of activities such as sterile filling, blinded labeling, pivotal phase and commercial bulk product manufacturing and active ingredient manufacturing, and process validation. A thorough review of all in-house capabilities is under way to assist us in determining those activities which can be more effectively and efficiently undertaken for Biomira by external suppliers. In developing our clinical program for THERATOPE® vaccine, for example, we undertook in 1997 to identify and address all risk-management issues related to manufacturing the vaccine for trial sites and, ultimately, for commercial use. We undertook our review by conducting parallel test manufacturing at Biomira and external manufacturers. By anticipating the manufacturing demands that would exist and by exploring all routes available, including compliance testing to ensure the validity of our conclusions, we are confident that Biomira is embarking on a Phase III Clinical Trial for THERATOPE® vaccine that excludes any possibility for error or oversight.

Our entire tactical approach for advancing products through our developmental cycle and into pre-clinical and clinical examination is based on this kind of thorough and thoughtful anticipation. It is an approach that is best summed up by our adherence to the two key components of managing the time- and capital-intensive nature of bringing new therapeutic products to the market – accountability and a focus on the minutiae of detail that lead to long-range success.

Management's Discussion & Analysis

The following information, prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP), which differ in certain respects from those of the United States (U.S. GAAP), should be read in conjunction with the consolidated financial statements and accompanying notes.

Biomira Inc. and its wholly owned subsidiaries, Biomira Diagnostics Inc. (BDI), Biomira USA Inc. (BioUSA), and Biomira (Barbados) Inc. (BBI) are dedicated to the research, development and commercialization of products for the immunotherapy of cancer.

Substantially all of the Company's products are subject to regulation by the Health Protection Branch (HPB) in Canada, the Food and Drug Administration (FDA) in the United States, and similar agencies in other countries. As the majority of the Company's products are not approved for sale, the Company has had limited revenue from commercial sales. Subsequent to year end, Biomira entered into a Letter of Intent to dispose of its TRUQUANT® tumour marker product line as well as certain pieces of equipment related to the production of those products. In exchange, Biomira will receive a one-time cash payment and future royalty payments based on sales volumes.

Biomira is currently undertaking a rigorous clinical trial process in order to obtain regulatory approval for the commercial sale of its product candidates. Lengthy and expensive clinical trials essential to the drug development process are needed to satisfy regulatory authorities worldwide of the safety and efficacy of Biomira's potential products. Unless and until the Company obtains regulatory approval for the commercial sale of its potential products, it will incur losses, which will likely be substantial.

The Company believes there are substantial commercial opportunities for its product candidates, which may lead to new and better methods of treating cancer. However, the development of these products involves long lead times, and the timing and amount of revenues from these product candidates are affected by a number of factors beyond the Company's control. Included are the pace of technological development, a changing regulatory environment, and the results of clinical trials undertaken by others.

To fund its operations, Biomira relies principally upon the proceeds of public and private offerings of equity securities and, to a lesser extent, on sales, licensing revenues and research contracts. Research contracts typically fund specific programs. The Company retains exclusive rights to technologies developed under such contracts, although it may be required to repay the amounts received through the payment of royalties on commercial sales of products incorporating the respective technology.

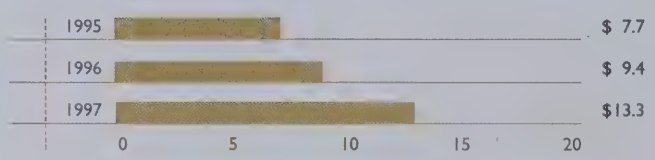
Since 1985, the Company has raised $233 million through public offerings, private placements of equity and other equity placements. It has incurred cumulative losses of $151 million, which have resulted from expenditures in research and development, clinical trials, regulatory approvals, infrastructure development, and administrative support of efforts to commercialize the technologies.

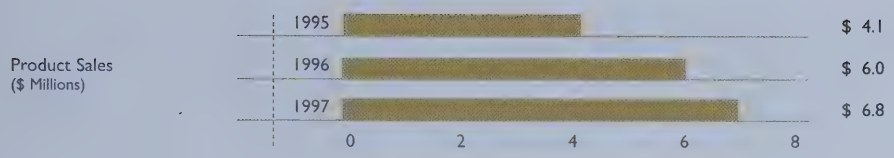
Effective October 25, 1995, Biomira acquired BioUSA through a merger of a newly organized subsidiary with BioUSA in which the previously outstanding BioUSA shares were converted into an aggregate of 3,450,000 common shares of the Company. This acquisition was accounted for under the purchase method of accounting. Financial results of BioUSA are consolidated with those of the Company from the effective date of the acquisition (October 25, 1995). Assets acquired as a result of the acquisition of BioUSA are valued at their fair market value on the date of acquisition, with the excess purchase price carried on the financial statements as research and development acquired, as required under Canadian GAAP. Under U.S. GAAP, the Company would have been required to charge the acquired research and development as an expense because, due to the early stages of BioUSA's clinical trials, there is no evidence of a sustainable asset.

Results of Operations The consolidated losses from continuing operations for the years 1997, 1996, and 1995 were $20.2 million, $21.8 million, and $21.4 million, respectively. These losses are typical of a mid-stage biotechnology company as it proceeds through the rigorous regulatory approval process.

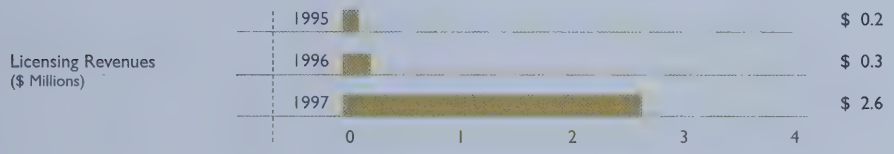
Revenue Revenues for the years ended 1997, 1996, and 1995, were $13.3 million, $9.4 million, and $7.7 million, respectively. Revenues were mainly generated from the sales of diagnostic products, licensing agreements, royalties, as well as interest income on the Company's cash balances. Revenues are not expected to increase significantly in the near future, however, the Company will continue to explore licensing opportunities and collaborative alliances for some of its technologies which may contribute to future revenue generation.

Consolidated Revenues
($ Millions)





Product Sales Product sales for the years 1997, 1996, and 1995 were $6.8 million, $6.0 million, and $4.1 million, respectively. Included are sales of BDI's TRUQUANT® diagnostic kits, hepatitis diagnostic kits and various diagnostic products distributed for other manufacturers. The 1996 sales total includes approximately six months of U.S. TRUQUANT® sales following the 1996 FDA clearance of the Company's TRUQUANT® diagnostic kit for the early detection of recurrent breast cancer. The other component of product sales is the contract manufacture of clinical grade material for third parties and the sale of Biomira antigens and antibodies. The Company expects a decline in product sales for the upcoming year due to the anticipated disposition of BDI's TRUQUANT® product line in 1998. However, for the upcoming year, the Company expects royalty payments associated with this disposition to offset the profit contribution generated from forgone TRUQUANT® sales.



Licensing and Royalty Revenues received for licensing out certain technologies and royalties received for the three years 1997, 1996, and 1995 were $2.6 million, $0.3 million, and $0.2 million respectively. The majority of the increase in 1997 revenues is due to licensing fees received from Chiron Corporation and other third party licensees. The Company expects an increase in royalty revenues for the coming fiscal year due to royalty payments attributable to the anticipated disposition of BDI's TRUQUANT® product line.

Other Revenues Interest income for the years 1997, 1996, and 1995 was $3.9 million, $2.8 million, and $2.3 million, respectively, and is directly related to the cash balances of the Company. It is Biomira's policy to invest surplus cash in low risk securities. The effective rate of return on the Company's surplus cash for 1997 was 4.7% compared to 5.4% for 1996, reflecting the continued decline in prevailing interest rates during 1997.

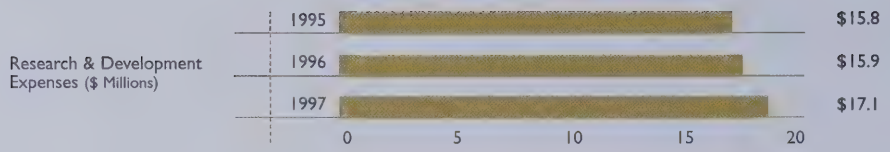
The Company did not record revenues from third party research contracts during 1997 compared to $0.4 million and $1.1 million for the years 1996 and 1995, respectively. These amounts related primarily to contracts signed with Industry, Science and Technology Canada and the National Research Council of Canada. Some of this funding will require royalty payments if the specific research undertaken results in a commercial product, or if the derived technology is licensed or sold to third parties (see note 11 to the consolidated financial statements). The absence of revenue from research contacts in 1997 is due to the expiration of research funding contracts initiated in previous years.

Expenses Total operating expenses for the years 1997, 1996, and 1995 were net $33.1 million, $31.2 million, and $29.0 million, respectively. These expenses are all related to the Company's first and second generation therapeutic and diagnostic products and product candidates, infrastructure development, and administrative support of the Company's efforts to commercialize its technologies.

Biomira's existing collaborative agreement with Chiron Corporation includes a provision for cost sharing of certain expenditures associated with the advancement of Biomira's THERATOPE® vaccine for breast cancer. Included in 1997 expenses are reimbursements from Chiron Corporation totaling $1 million. Reimbursements in the upcoming year are expected to increase in proportion to an increase in clinical and regulatory costs associated with the commencement of Phase III trials in 1998.

As the Company's programs proceed over the next few years through Phase II and Phase III clinical trials and through the rigorous regulatory approval process, it is anticipated that net expenses will remain at existing levels.

Cost of Sales Cost of sales for the three years 1997, 1996, and 1995 were $3.6 million, $3.5 million, and $3.5 million, respectively. The gross margins for the years 1997 and 1996 were $3.2 million (47.7% of product sales) and $2.5 million (42.5% of product sales).



Research and Development The majority of Biomira's research and development efforts are focussed on the clinical evaluation and product registration process which is the most expensive component of the drug development process. For the three years ended 1997, 1996 and 1995, the Company had $17.1 million, $15.9 million, and $15.8 million in direct research and development costs. These include substantial costs incurred in pursuit of clinical trials and other costs associated with the regulatory approval for Biomira's lead therapeutic product candidate, THERATOPE® vaccine, product development, process formulation, and development of the Company's infrastructure.

As Biomira's main programs proceed through Phase II/III clinical trials and through the regulatory approval process over the next few years, it is anticipated that these research and development expenses will increase. However, a portion of the research and development expenses associated with THERATOPE® vaccine in the Breast indication will be reimbursed by the Company's collaborative partner, Chiron Corporation.

Selling and General Administration Biomira includes in selling and general administration all costs not directly related to conducting research and development. These costs include the costs of premises, business development activities, selling and marketing, legal services, information services, accounting, and senior executive compensation. Selling and general administration expenses for 1997, 1996 and 1995 were $7.7 million, $7.3 million and $6.9 million, respectively. The increased 1997 costs are primarily the result of greater activity in the information services and business development areas offset by administrative cost reimbursements totaling $0.3 million received from the Company's collaborative partner, Chiron Corporation.

Liquidity and Capital Resources Since the incorporation of Biomira in 1985, the Company's research programs, capital expenditures and investments have been financed from several sources. These have included research collaboration agreements with both government and industry partners, up-front licensing fees of the Company's technologies, interest income and, to a much greater extent, public and private placements of the Company's common shares. The Company has not produced an operating cash flow surplus since its inception, nor is an operating cash surplus expected until its products are approved by the regulatory authorities and subsequently commercialized.

Cash and short term investments at December 31, 1997, were $78.8 million, a decrease of $15.6 million from December 31, 1996. During 1997, the Company utilized this portion of its cash and short-term investments to fund its operations throughout the year. During 1996, the Company generated net $33.7 million through a public share issue of 4,000,000 common shares and $42.5 million through the exercise of 7,382,351 previously issued share warrants, resulting in the issue of 7,382,351 common shares. The Company invests its cash reserves in liquid, high-grade investment securities with terms to maturity not exceeding three years. The terms to maturity are selected based on prevailing interest rates and the expected timing of expenditures for operations and capital assets.

During 1997, the Company spent $15.4 million on research and development and activities related to commercializing potential products, $1.4 million on the purchase of capital assets, and achieved a positive net change in working capital requirements of $0.6 million – for total financing needs of $16.2 million. These expenditures were financed from cash reserves.

During 1996, the Company spent $17.2 million on research and development and activities related to commercializing potential products, $0.6 million on the purchase of capital assets, and $0.8 million for working capital requirements – for total financing needs of $18.6 million. These expenditures were financed primarily from cash reserves accumulated through the sale of common shares.

In 1992, the Company significantly expanded its research facilities by entering into a 10-year lease agreement for a 58,000 sq. ft. research facility with advanced research laboratories and offices for an annual rent of $350,000. The Company has an option, expiring in 2002, to purchase the land and building for $5.8 million. The Company believes the replacement cost for this facility is significantly greater than the option price.

Outlook Entering 1998 with a strong portfolio of product candidates, Biomira will continue to pursue a development strategy which advances products with the greatest potential for commercial success. The future performance of Biomira relies on the Company's success in bringing new products to the marketplace. This success will depend on many factors, including the effectiveness and safety of the products, timely regulatory agency approvals for new products and new indications, and the degree of patent protection afforded to particular products.

Biomira has made the strategic decision to retain sole ownership of its core technology until such time as the programs are closer to commercialization. A strong cash position allows the Company's products to progress as far along the value curve as possible prior to Biomira forging an alliance with a corporate partner. Potential relationships include marketing and distribution agreements, collaborative agreements on research and development and/or regulatory support. The Company is encouraged by third party interest in its technologies, although there can be no assurance that Biomira will be successful in developing any such relationships or that such relationships will lead to commercial revenues and profits for the Company.

Biomira believes it has strong proprietary and/or patent protection or the potential for strong patent protection for a number of its products currently under development; however, the ultimate strength of patent protection may be determined by the courts and/or changes in patent legislation in various countries.

The Company expects an increase in research and development expenses during the upcoming year as a result of the large scale multi-site Phase III clinical trials planned for THERATOPE® vaccine. The costs of these clinical trials will be partially reimbursed by Biomira's collaborative partner, Chiron Corporation.

The existing cash resources are expected to be sufficient to finance the planned research and development, clinical trials, capital expenditures and working capital requirements into the second quarter of 2001. The sufficiency of cash on hand for continued operations past 2001 will depend on several factors, including the Company's success in the commercial launch of its lead therapeutic product, the nature and speed of scientific progress, the advancement of pre-clinical and clinical studies and the timing, the costs in obtaining regulatory approvals for its products, and the ability to raise additional cash through private and/or public offerings of its securities. In addition, changes in existing collaborative relationships as well as the establishment of new ones, product licensing efforts, joint ventures and other financing relationships could materially impact on the company's financial position.

Risks and Uncertainties Significant research and development funding will be required during the next several years for clinical trials, infrastructure development, the commercial development of products, and the market launch of new products. There can be no assurances that new products being developed by Biomira's competitors will not be more effective and/or more effectively marketed and sold than any that may be developed by the Company.

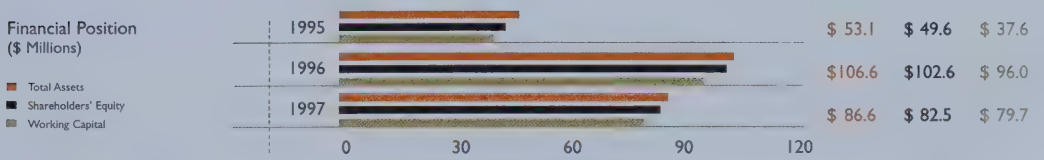
Biomira may require additional capital in order to continue research programs and to fund the development costs of resulting products. The Company may find it attractive to issue additional debt and equity securities in the future if it is deemed favorable under current market conditions or if funding for the continued development of its programs cannot be satisfied through other cash resources. Despite the current volatility in the capital markets relating to biotechnology companies, some firms have successfully obtained the capital needed to set up and expand operations. While, in some cases, the valuations of these companies have been at lower levels than in previous financing rounds, capital remains available for most successful companies. However, the timing and amount of capital available will continue to be affected by the state of the financial markets. In addition, the Company may be required to secure additional funds but, given the nature of its business, there can be no assurance that adequate funds will be available or that they will be available on terms acceptable to the Company.

The Company has obtained $20 million of clinical trial liability insurance for its product candidates entering Phase III clinical trials. It is not possible at this time to determine the adequacy of such coverage. The Company self insures its product candidates during Phase I and Phase II clinical trials.

Biomira has reviewed the issues associated with Year 2000 compliance of its computer systems. During 1997, the Company undertook to upgrade its core internal technology applications, and is of the opinion that it is not vulnerable to any significant issues associated with Year 2000 compliance and that no material risks and uncertainties exist as a result of its current operating systems. In 1997, the Company completed an upgrade of its computer systems which brought all of its main technologies to Year 2000 compliance. Costs for future Year 2000 initiatives are expected to be minimal.

Except for historical information, the matters discussed in this report are, by their nature, forward-looking. For reasons stated in this annual report or in the Company's regulatory filings, or for various unanticipated reasons, actual results may differ materially.

Financial Position
($ Millions)



Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Biomira Inc. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

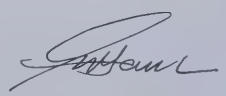
The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles which differ in some respects from those used in the United States. The significant differences in accounting principles, as they pertain to the financial statements, are identified in the related notes. The financial statements include some amounts that are based on best estimates and judgments of management. Financial information used elsewhere in this annual report is consistent with that in the financial statements.

The management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls which management believes provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee meets quarterly with management and the external auditors to discuss the results of the audit examinations with respect to the adequacy of the internal accounting controls and to review and discuss the financial statements and financial reporting matters. The shareholders' auditors have full access to the Audit Committee, with and without management being present.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche, Chartered Accountants.

Alex McPherson, MD, PhD
President & Chief Executive Officer



Edward A. Taylor, CGA
Vice President, Finance & Administration
& Chief Financial Officer

Auditors' Report

To the Shareholders of Biomira Inc. We have audited the consolidated balance sheets of Biomira Inc. as at December 31, 1997 and 1996 and the consolidated statements of operations and deficit and of changes in financial position for each of the years in the three year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1997 in accordance with generally accepted accounting principles.

Chartered Accountants
Edmonton, Canada
February 13, 1998

Consolidated Balance Sheets

As at December 31
(expressed in thousands of Canadian dollars, except per share amounts)

	1997	1996
Assets		
Current		
Cash and short-term investments	$ 78,792	$ 94,402
Accounts receivable	2,391	2,252
Inventories (Note 4)	1,133	2,341
Prepaid expenses	545	589
	82,861	99,584
Capital assets (Note 5)	2,438	3,442
Goodwill (net of accumulated amortization of $1,717; 1996 - $973) (Note 6)	–	744
Research and development acquired		
(net of accumulated amortization of $4,247; 1996 - $2,717) (Note 3)	1,273	2,829
	$ 86,572	$ 106,599
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 2,986	$ 3,545
Current portion of capital lease obligation (Note 8)	170	–
	3,156	3,545
Long-term debt (Note 7)	518	471
Capital lease obligation (Note 8)	333	–
Redeemable preference shares (Note 9)	30	30
	4,037	4,046
Contingencies and commitments (Notes 8(b) and 11)		
Shareholders' equity		
Capital stock (Note 9)	224,595	224,461
Contributed surplus	8,901	8,901
Deficit	(150,961)	(130,809)
	82,535	102,553
	$ 86,572	$ 106,599

(See accompanying Notes to Consolidated Financial Statements)

Approved by the Board

Director

Director

Consolidated Statements of Operations and Deficit

Years ended December 31
(expressed in thousands of Canadian dollars, except per share amounts)

	1997	1996	1995
Revenue			
Product sales	$ 6,786	$ 6,015	$ 4,080
Research contracts	–	386	1,138
Licensing, royalties and other	2,590	261	182
Interest	3,890	2,759	2,295
	13,266	9,421	7,695
Expenses			
Cost of sales	3,551	3,458	3,490
Research and development (Note 12)	17,137	15,855	15,842
Selling and general administration	7,647	7,281	6,913
Depreciation and amortization (Note 5)	4,306	4,541	2,743
Interest on long-term debt	47	43	56
Write-off of goodwill (Note 6)	401	–	–
	33,089	31,178	29,044
Loss before capital tax	19,823	21,757	21,349
Capital tax	329	65	62
Net loss	20,152	21,822	21,411
Deficit, beginning of year	130,809	108,987	87,576
Deficit, end of year	$ 150,961	$ 130,809	$ 108,987
Loss per common share	$ 0.45	$ 0.57	$ 0.78
Weighted average number of common shares outstanding	44,335,802	37,954,978	27,449,561

(See accompanying Notes to Consolidated Financial Statements)

Consolidated Statements of Changes in Financial Position

(expressed in thousands of Canadian dollars, except per share amounts)

		1996	1995
Net inflow (outflow) of cash related to the following activities			
Operating			
Net loss	$ (20,152)	$ (21,822)	$ (21,411)
Add items not affecting cash			
Amortization of interest	47	43	38
Depreciation and amortization (Note 5)	4,306	4,541	2,743
Write-off of goodwill (Note 6)	401	–	–
	(15,398)	(17,238)	(18,630)
Net change in non-cash balances (Note 13)	554	(782)	(1,547)
Cash used in operations	(14,844)	(18,020)	(20,177)
Investing			
Business acquisition (Note 3)	–	–	(7,604)
Decrease in long-term receivables	–	–	471
Purchase of capital assets	(1,429)	(573)	(325)
	(1,429)	(573)	(7,458)
Financing			
Proceeds on issue of common shares, net of issue costs	160	76,204	36,376
Increase in capital lease obligation	503	–	–
	663	76,204	36,376
(Decrease) increase in cash and short-term investments	(15,610)	57,611	8,741
Cash and short-term investments, beginning of year	94,402	36,791	28,050
Cash and short-term investments, end of year	$ 78,792	$ 94,402	$ 36,791

(See accompanying Notes to Consolidated Financial Statements)

1 Description of business

The Company, incorporated under the Canada Business Corporations Act, is a biotechnology, health care company utilizing proprietary and patentable methods in the development, manufacture and sale of products for the diagnosis and treatment of cancer. It is also involved in the manufacture and sale of diagnostic test kits for infectious diseases including hepatitis.

2 Accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which do not differ materially from those established in the United States, except as disclosed in Note 15, and include the following significant accounting policies:

Basis of consolidation
The Company's wholly-owned subsidiaries, Biomira Diagnostics Inc. (BDI), Biomira USA Inc. (BioUSA) and Biomira (Barbados) Inc. (BBI), are consolidated.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and short-term investments
The Company invests its surplus cash in treasury bills and other short-term investments. Short-term investments are valued at the lower of cost and market value.

Inventories
Inventories are valued at the lower of cost (first-in, first-out basis) and net realizable value.

Depreciation and amortization
Depreciation and amortization of capital assets, which are stated at cost, are provided at rates which are designed to amortize the cost of capital assets over their estimated useful lives on a straight-line basis as follows:

Scientific equipment	20%
Computer software and equipment	33 1/3%
Office equipment	20%
Leasehold improvements	Term of the lease plus one renewal
Manufacturing equipment	25%

Management periodically reviews the carrying value of capital assets through an assessment of estimated undiscounted future cash flows from the assets. In the year that an impairment in value occurs, the capital assets are written down to their net recoverable amounts.

Goodwill
Goodwill is recorded at cost and is amortized on a straight-line basis over five years.

On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration current operating results, assessment of future operating trends, and consideration of the current and future regulatory environment. In the year of a permanent impairment in value, the goodwill will be written down to its estimated value.

Research and development costs
The Company expenses research costs as incurred. Certain product development costs are capitalized once market and technical feasibility has been established. The Company has capitalized the costs of research and development acquired upon acquisition of another business.

Research and development costs capitalized are amortized on a straight-line basis over the lesser of the expected life of the related product or three years. Any unamortized portion of these costs related to specific projects will be written off in the year the project is deemed to have experienced a permanent impairment in value. Annually, the Company reviews the recoverability of capitalized research and development costs through an evaluation of the expected future discounted cash flows from commercialization of the associated products and consideration of current and future regulatory trends to determine if there has been a permanent impairment.

Research and development acquired does not necessarily reflect the present or future values of the projects, and the ultimate amount recoverable is dependent upon the successful development and commercialization of these products.

Revenue recognition
Revenue from product sales is recognized as the product is delivered.

Revenue from research contracts, which include government funding of joint research projects, is matched with the related costs and recognized as income as the costs are incurred.

Royalty revenue is recognized on an accrual basis in accordance with the contractual agreements with third parties.

Licensing revenue is recognized at the date the license is granted unless there are specific events which must be completed under the terms of the licensing agreement in which case a portion of the revenue is recognized upon the completion of each specific event.

Translation of foreign currencies
Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange. Gains or losses resulting from these translation adjustments are included in income.

Loss per common share
Loss per common share is calculated using the weighted average number of common shares outstanding during the year.

3 Business acquisition

Effective October 25, 1995, the Company acquired 100% of the shares of BioUSA in exchange for 3,450,000 common shares of the Company. The fair value of the net assets acquired was determined to be $11,040 or $3.20 per share. Expenses related to the acquisition amounted to $109, and were included as part of the cost of the acquisition.

The allocation of the purchase price was as follows:

Cash and short-term investments	$ 3,545
Other assets	146
Capital assets	991
Research and development acquired	6,986
Liabilities assumed	(519)
	$ 11,149

The acquisition cost of $11,149 was shown net of cash acquired of $3,545 in the Consolidated Statement of Changes in Financial Position.

Of the 3,450,000 shares, 3,238,360 were issued effective October 25, 1995. Of the 3,238,360 shares issued, 728,836 were placed in escrow and were to be released upon:

- BioUSA achieving a strategic alliance;
- certain products progressing to specific stages of commercialization; and
- the expiration of the holdback period for indemnification claims.

On October 15, 1997, the Company cancelled 8,144 shares held in escrow as a result of the settlement of indemnification claims. The remaining 270,692 shares held in escrow were released to the former BioUSA shareholders. The effect of the cancellation of these shares is reflected in these financial statements as a reduction in research and development acquired of $26 and a reduction in share capital of an equal amount.

On December 30, 1996, the Company cancelled 450,000 shares held in escrow as a result of the expiration of certain terms and conditions stipulated in the escrow agreement. The effect of the cancellation of these shares was reflected in these financial statements as a reduction in research and development acquired of $1,440 and a reduction in share capital of an equal amount.

Under the terms of the BioUSA agreement, the Company set aside 211,640 common shares for issuance to certain BioUSA employees or consultants upon satisfaction of certain conditions, or these would revert to BioUSA's previous shareholders. In 1997, the Company issued 45,266 shares to BioUSA's previous shareholders in accordance with the agreement. In 1996, the Company issued 166,374 shares to BioUSA employees or consultants upon completion of certain conditions within the agreement.

This acquisition was accounted for by the purchase method and the results of operations are included in the Company's Consolidated Financial Statements from the effective date of acquisition, October 25, 1995.

4 Inventories

	1997	1996
Raw materials	$ 806	$ 1,662
Work in process	282	566
Finished goods	45	113
	$ 1,133	$ 2,341

5 Capital assets

	1997			1996
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Scientific equipment	$ 6,869	$ 6,010	$ 859	$ 741
Computer software and equipment	2,640	2,119	521	132
Office equipment	2,738	2,701	37	517
Leasehold improvements	5,140	4,145	995	2,025
Manufacturing equipment	1,278	1,252	26	27
	$ 18,665	$ 16,227	$ 2,438	$ 3,442

Included in depreciation and amortization expense of $4,306 is the amount of $884 representing the write-down of certain capital assets to net recoverable amounts.

6 Write-off of goodwill

Based on 1997 operating results for a subsidiary, an assessment of future cash flows from its operations and other factors, management concluded that a permanent impairment in the value of the goodwill related to the acquisition of the subsidiary had occurred. As a result, the Corporation wrote-off the unamortized balance of goodwill in the amount of $401 at December 31, 1997.

7 Long-term debt

		1996
Government of Canada, Department of Western Economic Diversification, non-interest bearing loan repayable in quarterly instalments based on 5% of certain product sales, if any, beginning March 31, 1996 with the balance of the loan due March 31, 2000. The Company is restricted from paying dividends with certain specified exceptions, until the loan is repaid.	$ 627	$ 627
Less unamortized discount based on imputed interest rate of 10%	(109)	(156)
	$ 518	$ 471

There have not yet been any sales of these products.

8 Lease obligations

(a) Capital leases

The Company is committed to annual minimum payments under capital lease arrangements for computer equipment as follows:

1998	$ 215
1999	213
2000	114
2001	45
	587
Less amounts representing interest at rates ranging from 9.38% to 11.31%	84
	503
Less current portion	170
	$ 333

(b) Operating leases

The Company is committed to annual minimum payments under operating lease agreements for premises and equipment over the next five years as follows:

1998	$ 1,130
1999	993
2000	972
2001	970
2002	645
	$ 4,710

9 Capital stock

Authorized

- 12,500 non-cumulative, non-voting Class A preference shares, redeemable at $100 per share on an annual basis, to the extent possible, out of 20% of the net profits of the Company for each year
- Unlimited number of Class B preference shares issuable in series
- Unlimited number of common voting shares

The difference between the redemption value and the book value of the Class A preference shares will be expensed at the time the shares are redeemed.

The Class B preference shares may be issued solely by resolution of the Board of Directors. The Board of Directors has the authority, subject to limitations set out in the Canada Business Corporations Act, to fix the number of shares in each series and to determine the designation of rights, privileges, restrictions and conditions to be attached to each such shares.

9 Capital stock (continued)

Issued

	1997		1996		1995	
	Shares	Amount	Shares	Amount	Shares	Amount
Class A preference shares						
Issued and outstanding, beginning and end of year	12,500	$ 30	12,500	$ 30	12,500	$ 30
Common voting shares						
Issued and outstanding, beginning of year	44,316,412	$ 224,461	33,365,061	$ 149,697	22,522,537	$ 113,321
Public issue (a)	–	–	4,000,000	33,680	7,392,514	25,504
Exercise of warrants (b)	–	–	7,382,351	42,448	10	–
Shares cancelled (c)	(8,144)	(26)	(450,000)	(1,440)	–	–
Exercise of options (d)	29,600	160	19,000	76	–	–
Business acquisition	–	–	–	–	3,450,000	10,872
Issued and outstanding, end of year	44,337,868	$ 224,595	44,316,412	$ 224,461	33,365,061	$ 149,697

(a) In October, 1996, the Company completed a share offering resulting in the issuance of 4,000,000 common shares for gross proceeds of $36,000. Total costs of the offering amounted to $2,320.

In June, 1995, the Company completed a rights offering resulting in subscriptions for 7,392,514 units (consisting of one share and one warrant), and gross proceeds of $26,613. Total costs of the offering amounted to $1,109. Of the total units issued, Almiria Capital Corp. (Almiria), a significant shareholder, subscribed for 5,000,000 units. No value was ascribed to the warrants for financial statement purposes.

(b) During 1996, the Company issued 7,382,351 (1995 - 10) common shares at $5.75 per share, for cash consideration of $42,448 (1995 - nil) as a result of the exercise of warrants. From the total common shares issued, 5,000,000 common shares were issued to Almiria, which were subsequently distributed by Almiria to its shareholders on April 25, 1996. On December 5, 1996, the expiry date of the warrants, the remaining 10,153 warrants not exercised were cancelled by the Company.

(c) In October, 1997, the Company cancelled 8,144 common shares held in escrow at $3.20 per share for an aggregate value of $26 as a result of the acquisition of BioUSA (Note 3). On December 30, 1996, the Company cancelled 450,000 common shares held in escrow at $3.20 per share for an aggregate value of $1,440 as a result of the acquisition of BioUSA (Note 3).

(d) During 1997, options on 29,600 (1996 - 19,000) common shares were exercised, pursuant to the Share Option Plan, at an average price of $5.38 (1996 - $4.02) per share.

Director and employee share options

Details of director and employee share options are as follows:

	Number of Options	Option Price Range Per Share		
Outstanding, December 31, 1994	1,255,000	$ 6.125	–	$ 15.250
Issued – Share Option Plan	257,500	$ 3.850	–	$ 5.125
Exercised	–		–	
Cancelled	(430,000)	$ 3.850	–	$ 13.375
Outstanding, December 31, 1995	1,082,500	$ 3.850	–	$ 15.250
Issued – Share Option Plan	1,440,000	$ 5.000	–	$ 10.400
Exercised	(19,000)	$ 3.850	–	$ 6.750
Cancelled	(128,875)	$ 3.850	–	$ 12.500
Outstanding, December 31, 1996	2,374,625	$ 3.850	–	$ 15.250
Issued – Share Option Plan	1,102,500	$ 3.100	–	$ 6.950
Exercised	(29,600)	$ 3.850	–	$ 5.500
Cancelled	(205,625)	$ 3.850	–	$ 12.500
Outstanding, December 31, 1997	3,241,900	$ 3.100	–	$ 15.250

9 Capital stock (continued)

Under the Share Option Plan options are authorized up to a maximum of 3,300,000 common shares and are granted at a minimum of the market value at the date preceding the date of the grant. Options issued under the plan are vested after one year from the date of the grant and are exercisable in equal amounts over the following four years.

At December 31, 1997, of the total options outstanding for 3,241,900 common shares, options for 1,026,025 common shares were exercisable. These options expire at various dates to 2005.

10 Income tax benefits

The significant differences between the accumulated deficit at December 31, 1997 and the losses carried forward for Canadian income tax purposes are as follows:

Deficit	$	150,961
Tax losses and research and development expenditures used in transfer of technology to subsidiary		(73,800)
Timing differences		(8,294)
Other permanent differences		(15,830)
Losses carried forward	$	53,037

Biomira Inc. (BI) and its Canadian subsidiary (SUB) have non-capital losses of $16,640 available for application against taxable income of future years, which expire as follows:

1998	$	3,213
1999		1,402
2000		684
2001		6,381
2002		3,482
2003		1,478
		16,640
Non-capital loss relating to scientific research and development expenditures which carryforward indefinitely		35,832
		52,472
Net capital losses which carryforward indefinitely		565
	$	53,037

The future tax benefits relating to the scientific expenditures and the losses carried forward have not been recognized in these financial statements.

During 1997, BI transferred the rights to certain technology to its wholly-owned subsidiary, Biomira (Barbados) Inc., generating a gain for Canadian income tax purposes. The Company has utilized income tax losses of approximately $20,234 and scientific research and experimental development expenditures of approximately $52,105 to eliminate taxable income resulting therefrom.

BI and SUB also have investment tax credits of approximately $16,887 (1996 - $14,908) which may be carried forward to apply against future years' federal income taxes. No recognition has been given in these financial statements to the potential tax savings which may result from these tax credits. Investment tax credits claimed in the future will reduce the non-capital loss available for carryforward. These credits expire as follows:

1998	$	536
1999		701
2000		905
2001		1,107
2002		2,095
2003		2,154
2004		2,663
2005		2,119
2006		2,127
2007		2,480
	$	16,887

Biomira USA Inc. (BioUSA) has federal non-capital losses of U.S. $9,377 available for application against taxable income of future years which expire as follows:

2003	$	46
2004		248
2005		269
2006		378
2007		46
2008		153
2009		1,973
2010		2,201
2011		1,907
2012		2,156
	$	9,377

BioUSA has New Jersey state non-capital losses of U.S. $8,615 available for application against taxable income of future years which expire as follows:

1999	$	46
2000		153
2001		2,198
2002		2,200
2003		1,862
2004		2,156
	$	8,615

Non-capital losses from periods prior to the date of acquisition of control by BI on October 25, 1995 are restricted and may not be available entirely for use in future years pursuant to Section 382 of the Internal Revenue Code. Federally, these restricted losses total U.S. $5,092; for state purposes, U.S. $4,375.

11 Contingencies and commitments

(a) The Company is party to a jointly funded research contract with Industry, Science and Technology Canada (ISTC), with ownership of the resulting technology or products developed being retained by the Company. The ISTC funding received of $5,518 is repayable in annual instalments based on 5% of gross sales of certain products and technology beginning December 31, 1996 until the funding received of $5,518 is repaid.

(b) The Company has participated in jointly funded research contracts in previous years. The Company controls (through license or ownership) the resulting technology or products and is committed to paying royalties on the sales of certain products on commercialization of the specific technology or products.

(c) In connection with the issuance of the Class A preference shares (Note 9), the Company has agreed to pay a royalty in the amount of 3% of the net proceeds of sale of any products sold by the Company employing technology acquired in exchange for the shares.

(d) In conjunction with the sale of its investment in HealthVISION Corporation effective February 11, 1994, the Company has provided specific and general representations and warranties to the purchaser. These representations expire at various dates to 1998. On January 31, 1996, the purchaser filed a statement of claim against the Company pursuant to these representations and warranties in the net amount of $1,447 and a claim for punitive damages in the amount of $1,000. The Company filed a statement of defence on February 16, 1996, and discovery of the Company's former Chief Financial Officer took place on February 11, 1998. The Company is of the opinion that there will be no material liability arising from these claims. Consequently, no provision for any liability in connection with this action has been made in these financial statements. Any liability payable by the Company arising from these claims will be recorded in the year in which the amount of the liability is determined.

(e) The Company, one of its subsidiaries and others have been named as co-defendants in a legal action initiated in August, 1996. The Company has filed a statement of defence and is of the opinion that there will be no material liability arising from this legal action. Consequently, no provision for any liability in connection with this action has been made in these financial statements. To the extent that a liability does arise from this claim, it will be recorded in the year in which the amount of the liability is determined.

12 Research and development expenses

Research and development expenses are comprised of:

	1996	1995
Research and development incurred:		
Research and development	$ 17,888	$ 15,855	$ 15,842
Costs recovered under terms of a collaboration agreement	(751)	–	–
	$ 17,137	$ 15,855	$ 15,842

13 Net change in non-cash balances relating to continuing operations

	1996	1995
Accounts receivable	$ (139)	$ (451)	$ (391)
Inventories	1,208	(762)	(163)
Prepaid expenses	44	(87)	33
Accounts payable and accrued liabilities	(559)	518	(1,026)
	$ 554	$ (782)	$ (1,547)

14 Fair value of financial instruments

Limitations
Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Cash and short-term investments, accounts receivable, accounts payable and accrued liabilities
The carrying amounts in the consolidated balance sheets approximate fair value because of the limited term of these instruments.

Long-term debt, capital lease obligation, redeemable preference shares
The fair values of these instruments are based on the amount of expected future cash flows associated with each instrument discounted using an estimate of what the Company's current borrowing rate would be.

Fair values
The estimated fair values of the Company's financial instruments as at December 31 are as follows:

			1996	
Assets (Liabilities)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and short-term investments	$ 78,792	$ 78,792	$ 94,402	$ 94,402
Accounts receivable	2,391	2,391	2,252	2,252
Accounts payable and accrued liabilities	(2,986)	(2,986)	(3,545)	(3,545)
Long-term debt	(518)	(549)	(471)	(508)
Redeemable preference shares	(30)	(30)	(30)	(30)
Capital lease obligation	(503)	(503)	–	–

15 Reconciliation to accounting principles generally accepted in the United States

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) which differ in some respects from those used in the United States (U.S. GAAP). The significant differences in accounting principles as they pertain to the accompanying financial statements are as follows:

Business acquisition
Under U.S. GAAP, the acquisition of BioUSA (Note 3) would be valued at the stock market price of the shares issued at the date of closing. Under Canadian GAAP, the acquisition was valued at the fair value of the net assets acquired at the time the agreement was negotiated. The effect of these differences is that under U.S. GAAP the value of the shares issued would be higher by $3,622, increasing the research and development acquired by an equal amount. In addition, under U.S. GAAP, the research and development acquired would be charged to expense on the date of acquisition, whereas under Canadian GAAP it must be capitalized.

As well, as a result of these differences, the cancellation of shares disclosed in Notes 3 and 9(c) would result in a further reduction in share capital of $480 and a recovery of the 1995 write-down of research and development acquired of $1,946.

Cash and short-term investments
Under U.S. GAAP in the Statement of Changes in Financial Position, the definition of cash equivalents is restricted to highly liquid investments with original maturities of three months or less. Investments with original maturities of greater than three months do not qualify as cash equivalents for U.S. GAAP.

15 Reconciliation to accounting principles generally accepted in the United States (continued)

The effect of the above differences on the Company's financial statements is set out below:

Consolidated Balance Sheets

	1997		1996	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Cash (and equivalents)	$ 78,792	$ 7,784	$ 94,402	$ 17,211
Short-term investments	–	71,008	–	77,191
Research and development acquired	1,273	–	2,829	–
Capital stock	224,595	227,737	224,461	227,611
Deficit	(150,961)	(155,376)	(130,809)	(136,788)
Total shareholders' equity	82,535	81,262	102,553	99,724

Consolidated Statements of Operations

	1997	1996	1995
Loss under Canadian GAAP:	$ (20,152)	$ (21,822)	$ (21,411)
Amortization of research and development acquired	1,530	2,329	388
Write-down of research and development acquired	–	–	(10,608)
Recovery of 1995 write-down of research and development acquired	34	1,912	–
Loss under U.S. GAAP	$ (18,588)	$ (17,581)	$ (31,631)
Loss per common share			
Canadian GAAP	$ 0.45	$ 0.57	$ 0.78
U.S. GAAP	$ 0.42	$ 0.46	$ 1.15

Consolidated Statements of Changes in Financial Position

	1997	1996	1995
Under U.S. GAAP:			
Cash (and equivalents) at beginning of year	$ 17,211	$ 15,665	$ 10,967
Cash used in operations	(14,810)	(16,108)	(20,177)
Cash (used in) provided by investing activities	4,720	(58,550)	(15,123)
Cash provided by financing activities	663	76,204	39,998
Cash (and equivalents) at end of year	$ 7,784	$ 17,211	$ 15,665

As well, the following additional disclosure is required under U.S. GAAP:

	1997		1996	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Cash and deposits with original maturities of three months or less	$ 7,784	$ 7,784	$ 17,211	$ 17,211
Trading securities	71,008	71,008	–	–
Held to maturity investments				
Maturing within one year:				
Deposits guaranteed by the Government of Canada	–	–	52,133	52,133
Debt issued or guaranteed by Provincial governments in Canada	–	–	13,147	13,147
Corporate debt securities	–	–	11,911	11,923
	71,008	71,008	77,191	77,203
	$ 78,792	$ 78,792	$ 94,402	$ 94,414

Trading securities are carried at market. The unrealized loss on trading securities of $189 (1996 - nil) has been included in the Consolidated Statement of Operations.

15 Reconciliation to accounting principles generally accepted in the United States (continued)

Held to maturity investments are carried at amortized cost. The unrealized gains and losses are not included in the Consolidated Statements of Operations as these gains and losses are unlikely to be realized due to the Company's intent to hold the underlying investments to maturity. During 1996, the gross unrealized gain on held to maturity investments totalled $12.

Stock-based compensation

For U.S. GAAP purposes, the Company currently calculates the compensation cost for its Share Option Plan in compliance with the provisions of the United States Accounting Principles Board (APB) Opinion No. 25 which allows no compensation cost to be recorded provided that the exercise price of the options granted is equal to the fair market value of the Company's stock as at the date of the grant.

The Company estimates that the effect of using the fair value method of measurement as described in the Statement of Accounting Standard No. 123 would not be material.

16 Segmented information

The Company operates entirely in the biotechnology industry and does not have significant foreign operations. The Company sold to export markets outside of Canada as follows:

	United States	Other
1997	$ 4,797	$ 1,398
1996	3,337	1,560
1995	1,514	1,438

17 Subsequent event

Subsequent to the year end, the Company has entered into a Letter of Intent to dispose of its tumour marker product line as well as certain pieces of manufacturing equipment related to the production of those products.

18 Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

Corporate Information

Board of Directors

Eric E. Baker (1)
President, Muralta Capital Inc.
Chairman of the Board, Biomira Inc.

S. Robert Blair, CC
Chairman Emeritus,
NOVA Corporation

Sheila Moriber Katz, MD, MBA
Special Assistant to the President & CEO, and Professor of Pathology and Laboratory Medicine, Allegheny Health, Education and Research Foundation

B. Michael Longenecker, PhD
Professor Emeritus, Immunology, University of Alberta
Senior Vice President, Research & Development, Biomira Inc.

Alex McPherson, MD, PhD (1)
Professor Emeritus, Faculty of Medicine, University of Alberta
President & Chief Executive Officer
Biomira Inc.

W. Vickery Stoughton
Chairman and Chief Executive Officer
Exigent Diagnostics Inc.

Paul Wacko (1) (2) (3)*
Chairman, Inland Group

Michael C. Welsh, QC (1) (2) (3)
President
Almasa Capital Inc.

(1) Member of Executive Compensation Committee

(2) Member of Audit Committee

(3) Member of Corporate Governance Committee

* Deceased April 1, 1998

The Annual General and Special Meeting of Shareholders of Biomira will be held at the Marriott Hotel Eaton Centre, 525 Bay Street, Toronto, Ontario, Canada at 4:00 p.m. on Thursday, May 28, 1998.

Corporate Officers

Alex McPherson, MD, PhD
President & Chief Executive Officer

B. Michael Longenecker, PhD
Senior Vice President, Research & Development

Robert D. Aubrey
Vice President, Marketing & Sales

C. William Cherry
Vice President, Operations & Quality

Grant D. MacLean, MB, ChB, FRACP
Vice President, Clinical & Regulatory Affairs

Edward A. Taylor, CGA
Vice President, Finance & Administration
Chief Financial Officer & Corporate Secretary

Auditors

Deloitte & Touche
2000 Manulife Place
10180 – 101 Street
Edmonton, Alberta
T5J 4E4

Share Registrar and Transfer Agents

Montreal Trust Company of Canada
6th Floor, Western Gas Tower
530 – 8th Avenue S.W.
Calgary, Alberta
T2P 3S8

United Missouri Trust Company
1 Battery Park Plaza
8th Floor
New York, New York
10004

Stock Listings

The Company's common shares are traded in Canada on The Toronto Stock Exchange and The Montreal Stock Exchange under the trading symbol BRA and in the United States on Nasdaq under the trading symbol BIOMF.

Managing Executive
(back row, left to right):
Michael Longenecker; Grant MacLean; Robert Aubrey.

(front row, left to right):
Alex McPherson; William Cherry; Irwin Griffith, PhD, Senior Director, Projects & Portfolio Management; Edward Taylor.

(inset)
Mircea Popescu, MD, PhD, Vice President, Research & Development, Biomira USA.

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Biomira's new corporate identity represents the dove as a symbol of hope. The movement of color reflects the progression of scientific research to results in the application of cancer vaccines. It is the promise and hope of our cancer vaccine therapy that patients are able to emerge from the shadow of cancerous cells with improved survival and restored quality of life.